

Summer surprises on the acquisition front

Summer is usually a fairly quiet time, but there have been not a few surprises of late. Surprises in that they have not been saved for the autumnal months when everyone is back from their holidays. A bit like the proverbial London buses, there has been little pertinent merger and acquisition activity of late, but summer saw some pretty major ones come along all at once.

One huge deal which is unlikely to have much impact on RF III-Vs – but with unclear ramifications for LEDs in the form of the Philips Lumileds Lighting Company – was that of Royal Philips Electronics announcing that it had signed an agreement with Kohlberg Kravis Roberts & Co. (KKR), and other investors, who will acquire an 80.1% stake in Philips' Semiconductors business (Philips to keep a 19.9% stake). KKR has a good appetite for chips – they teamed up with Silver Lake to buy Agilent Technologies' semiconductor business for \$2.7bn. After selling off parts of that business, the remaining chip business was named Avago Technologies. Likely a new name will be created for the Philips chip acquisition.

Royal Philips said it sold a majority stake in the chip division so it can further concentrate on the market for high-tech medical equipment and consumer electronics. It will decrease its 'exposure to the cyclical and sometimes unpredictable semiconductor market'. Instead its considerable resources will be focused on healthcare and to energy-efficient

solutions such as lighting. So Lumileds' future looks assured.

Secondly, on the opto-only side, a high profile deal involved US company Optical Communication Products (OCP) acquiring the leading supplier of FTTH modules in Japan, Taiwan-based Gigacom, in a cash deal. OCP had had a tough time with VCSELs, and now has realigned its strategy towards FTTH, which is seeing pretty good growth of late.

The third big deal involves IQE Plc acquiring Emcore's epiwafering activities. This did not come as a total surprise to some industry observers, and in several respects it makes good sense for both parties. Emcore had for some time been transforming itself into a device-only supplier, even though it had some key contracts remaining for its III-V epiwafers. The deal will of course increase IQE's share of the commercial epitaxial substrate market, and will remove one player from the competition. Plus it should give IQE a substantial business boost so it can generate net profits by the end of next year. Besides, other major players have in due course turned in better results after similar acquisitions. AIXTRON is benefiting from its move into silicon via the Genus acquisition. Let us hope that that proceeds more smoothly than the troubled (but now resolved) Veeco acquisition of Emcore's MOCVD assets.

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